# CITY BUDGET OFFICE

Charlie Hales, Mayor Nick Fish, Commissioner Amanda Fritz, Commissioner Steve Novick, Commissioner Dan Saltzman, Commissioner Mary Hull Caballero, Auditor



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## CITY OF PORTLAND, OREGON

TO: Mayor Charlie Hales

Commissioner Nick Fish Commissioner Amanda Fritz Commissioner Steve Novick Commissioner Dan Saltzman Auditor Mary Hull Caballero

FROM: Andrew Scott

City Budget Director

DATE: March 9, 2015

**SUBJECT:** City Budget Office FY 2015-16 Budget Reviews

Attached are the City Budget Office (CBO) reviews of the FY 2015-16 requested budgets. These reviews analyze and highlight the issues that CBO believes Council should consider throughout the budget process. The reviews are structured to address key issues first, followed by a discussion of the bureau's decision packages.

There is an enhanced focus this year on performance. The Mayor has asked CBO to work with bureaus to create key performance measures (KPMs) for citywide priorities and for each individual bureau. As part of our review we asked bureaus how they will measure the results of their programs, particularly new investments, and we have in part based our recommendations on whether a program will have a positive impact on one or more KPMs. CBO is also creating bureau dashboards that will be used during the budget work sessions to help enhance the connection between performance and budget.

### **Forecast**

The December 2014 five-year forecast projected that the City would have \$19.0 million in excess ongoing and one-time resources for the FY 2015-16 budget. Based on recent information that estimate has grown to more than \$30 million. CBO will provide a detailed update next week. Nearly every factor impacting the forecast is moving in a positive direction. The volatile revenue streams of business license and transient lodging taxes are growing rapidly, while inflation and expected health benefit cost increases remain low. Because one of the largest sources of uncertainty is business license taxes – which mainly

come in after April 15<sup>th</sup> – the forecast remains subject to large variability between now and when CBO issues the final forecast in late April.

## FY 2015-16 Budget Guidance

In October, the Mayor proposed another "stabilization budget" that asks General Fund bureaus to live within existing budgets. In addition, bureaus requesting ongoing General Fund resources are required to submit an offsetting reduction package that identifies the potential trade-off if the bureau is directed to realign its existing budget. The Mayor identified equity and opportunity, complete neighborhoods, and emergency preparedness as the areas where he plans to allocate new ongoing General Fund resources. Requests for one-time resources are to focus on taking care of what we already have – roads, parks, community centers, buildings, and other civic assets – and expand those assets in areas that are underserved.

## **CBO General Fund Recommendations**

In total, bureaus requested **\$5.8 million in ongoing** funding and **\$56.4 million in one-time** funding. The largest General Fund requests came from the Bureaus of Transportation, Housing, Parks & Recreation, Fire & Rescue, Emergency Communications, Portland Development Commission, and Special Appropriations.

CBO has made a series of recommendations based on the stabilization budget guidance provided by the Mayor as well as City financial policies. We based our recommendations on resources available in the December forecast. As noted above, the Mayor and Council should have considerably more resources to allocate once the April forecast is complete. In total, we recommend \$5.2 million in ongoing and \$13.6 million in one-time spending on various programs:

- *Investing in Infrastructure.* Maintenance and replacement projects in public safety, transportation, parks, and emergency management \$10,505,500, which includes \$3.4 million in ongoing funding to reestablish a City capital set-aside for future projects and \$3,000,020 in other infrastructure projects.
- *Emergency Preparedness.* Earthquake response training and continuity of operations planning \$431,654 one-time.
- *Equity and Opportunity.* Protected sick time, translation services in Parks, and support of the Home for Everyone Board \$394,796 one-time.
- **Public Safety.** Bridge funding for 26 positions in Fire & Rescue \$1,386,446 one-time and additional costs in the Police Bureau required by the DOJ settlement agreement \$1,210,485 ongoing.
- *Program Expansions.* 9-1-1 services, revenue generation activities, performance management, and parks services \$636,558 ongoing and \$1,256,149 one-time.

## **Additional Considerations**

The CBO recommendations leave some funding unallocated, and as noted above Council will have the opportunity to fund additional investments in infrastructure maintenance and replacement and other key priorities. CBO used the infrastructure project ranking process to determine which capital projects to fund, and we recommend that Council consult that tool when making additional capital investments.

As a general principle, CBO recommends that Council look for investments that increase the City's financial resiliency by reducing long-term costs, such as investments in existing assets. On the other hand, since personnel costs tend to grow faster than inflation Council should be cautious when creating new programs that require additional staff. Council may also want to consider establishing a rainy-day fund in excess of our normal General Fund reserve; such a fund could help soften the impact of inevitable future reductions.

#### Conclusion

Portland is in the midst of a positive economic cycle that is slowly restoring the resources lost during the last recession. It is important that we make prudent decisions now that will benefit the City in the long run. The CBO recommendations in the attached reviews provide a starting framework for Mayor and Council deliberations on the budget, but there is still important information that will become available during the public budget hearings, Council budget work sessions, and further discussions with bureau management and our labor partners. We look forward to working with you to craft the FY 2015-16 budget over the next three months.

Please do not hesitate to contact me with any questions.